
OR Petition 5

PETITION FOR ADJUSTED NEED DETERMINATION

Petitioner:

Rex Hospital
4420 Lake Boone Trail
Raleigh, NC 27607

DFS Health Planning
RECEIVED

Represented by:

Rebekah Swain
Director, Strategic Planning
(919) 784-4483

AUG 01 2007

Medical Facilities
Planning Section

Executive Summary:

Rex Hospital requests that the State Health Coordinating Council adjust the need determination in Wake County, NC to show a projected need of four operating rooms. Despite positive and welcome changes from the OR Methodology Workgroup, the methodology does not address the circumstances faced in Wake County. In addition to the chronically underutilized facilities that have now been excluded from the methodology, other providers in the county have not shown a need for additional operating rooms in the last four years. By contrast, Rex Hospital has shown a need for additional operating rooms in each of the last four years.

Background:

The petitioner, Rex Hospital, is located in Wake County and provides surgical services in thirty-one operating rooms. Twenty-seven of these rooms are licensed as shared inpatient and ambulatory surgery operating rooms and are located at Rex Hospital's main campus in western Raleigh. The remaining four rooms are licensed as dedicated ambulatory surgery operating rooms and are located at Rex Healthcare of Cary. Rex does not own or manage any other operating rooms.

As shown in the data contained in the 2008 SMFP, Rex is the largest provider of surgical services in Wake County. In the year ending September 30, 2006, more than 27,000 cases were performed at Rex – 27% more than the next highest licensed provider.

Faced with increasing volume over several years and no available operating rooms in the SMFPs, Rex took action in 2005 to alleviate overcrowding in the operating rooms. Unlike many other facilities across the State, Rex already had separate, dedicated procedure areas for endoscopy and chronic pain treatment. In order to accommodate the increasing physician and patient demand for operating room time, Rex created a minor procedure area, moving minor procedures which do not require an operating room into more appropriate procedure rooms. In the year ending September 30, 2006, Rex performed 4,463 cases in those minor procedure rooms. Had these minor procedure cases still been performed in operating rooms, they would have generated a demand for 4.17 additional operating rooms by the State's methodology, thus raising Rex's total need for additional rooms as shown in the draft 2008 State Medical Facilities Plan to 6.95.

The operating room capacity this created at Rex Hospital was quickly filled. Inpatient surgery volumes increased by more than 13% in one year, and Rex's need for additional operating rooms only dipped slightly from 3.07 in the 2007 SMFP to 2.79 rooms in the draft 2008 SMFP.

Analysis:

The proposed 2008 State Medical Facilities Plan (SMFP) implements a change to the methodology for the determination of need for operating rooms. As proposed by the OR Methodology Workgroup, facilities being utilized at a rate less than 40% are excluded from the inventory and their cases excluded from the calculation of demand. In Wake County, two facilities are therefore excluded – Raleigh Plastic Surgery Center, Inc., and Southern Eye Associates Ophthalmic Surgery Center. These single-specialty centers operate at 29.7% and 19.5% of capacity, respectively, as shown in Table 1.

Table 1. Operating Room Inventory and Utilization Data

	05-06 AS Cases	05-06 IP Cases	05-06 Total Cases	Included Rooms	% Utilization
Rex Hospital	18,222	9,255	27,477	31	94.9%
WakeMed Raleigh	13,629	7,941	21,570	25	94.6%
WakeMed Cary	6,770	1,467	8,237	9	86.4%
Wake Med Apex	0	0	0	4	0.0%
WakeMed Subtotal	20,399	9,408	29,807	38	82.7%
Duke Health Raleigh	8,155	2,366	10,521	13	79.4%
HealthSouth Blue Ridge	5,055	0	5,055	6	67.5%
Raleigh Women's Health	3,100		3,100	2	124.2%
Raleigh Plastics	371	0	371	1	29.7%
Southern Eye	487	0	487	2	19.5%
Total	55,789	21,029	76,818	93	84.3%

The exclusion of these two centers results in a reduction of the calculated oversupply of operating rooms by 2.21 rooms. When compared to the existing supply of operating rooms in Wake County, the revised methodology demonstrates an oversupply of 0.79 rooms, as shown in Table 2.

Table 2. OR Need in Wake County, Draft 2008 SMFP

	2005-06 Hours	2006-11 Growth	2010-11 Hours	2010-11 Rooms	Included Rooms	NEED (Surplus)
Rex Hospital	55,098	14.79%	63,247	33.79	31	2.79
WakeMed Raleigh	44,267	14.79%	50,814	27.14	25	2.14
WakeMed Cary	14,556	14.79%	16,709	8.93	9	(0.07)
Wake Med Apex	0	14.79%	0	0.00	4	(4.00)
WakeMed Subtotal	58,823	14.79%	67,522	36.07	38	(1.93)
Duke Health Raleigh	19,331	14.79%	22,189	11.85	13	(1.15)
HealthSouth Blue Ridge	7,583	14.79%	8,704	4.65	6	(1.35)
Raleigh Women's Health	4,650	14.79%	5,338	2.85	2	0.85
Raleigh Plastics	557	14.79%	639	0.34	1	(0.66)
Southern Eye	731	14.79%	839	0.45	2	(1.55)
Total (before exclusion)	146,771		168,478	90.00	93.00	(3.00)
Total (after exclusion)	145,484		167,001	89.21	90	(0.79)

Although this change to the methodology has had a significant impact in reducing the calculated oversupply in the market, it fails to address the continued high utilization of some providers and low utilization of others. In addition to the chronically underutilized facilities that have been excluded from the methodology, other providers in the county have not shown a need for additional operating rooms in the last four years. By contrast, only Rex Hospital and one other provider, Raleigh Women's Health, have each shown a need for additional operating rooms in all of the last four years. Each year, this need for additional operating rooms has been suppressed by the underutilization of other providers in the service area and no allocation of additional operating rooms has been made. The operating room need by facility is shown in Table 3, below.

Table 3. Calculation of operating room need by facility, 2005 – 2008 SMFPs

	2005	2006	2007	2008 Draft
Rex Hospital	1.98	1.94	3.07	2.79
WakeMed Raleigh	-3.34	-2.70	-1.48	2.14
WakeMed Cary	-2.45	-1.77	-1.36	-0.07
WakeMed Apex			-4.00	-4.00
WakeMed Subtotal	-5.79	-4.47	-6.84	-1.93
Duke Health Raleigh	-0.20	0.48	1.07	-1.15
HealthSouth Blue Ridge	-1.97	-1.87	-1.72	-1.35
Raleigh Women's Health	0.44	0.61	0.45	0.85
Raleigh Plastics	-0.67	-0.64	-0.61	-0.66
Southern Eye	-1.62	-1.58	-1.60	-1.55
Total	-7.82	-5.53	-6.18	-3.00

Rex Hospital requests that the State Health Coordinating Council allocate four operating rooms based upon the need for three generated by Rex Hospital and for one generated by Raleigh Women's Health. This facility-by-facility recognition of need is reflective of changes made to the acute care bed methodology in 2005, and accommodates for the common ownership of multiple facilities. This allocation would eliminate the restriction placed on highly-utilized facilities by lower utilized facilities. Although these utilization of these facilities is not low enough to meet the criteria of "chronically underutilized" and therefore excluded from the methodology, these facilities have prevented a determination of need in each of the last four State Medical Facilities Plans.

When this disparity in utilization is persistent over a period of several years, it indicates that other market forces are driving physicians and patients to utilize some facilities over others. The county-based methodology currently in place does not account for this preference; instead, it assumes that all operating rooms in the market are equally available for use by patients and physicians. It further assumes that if one facility is over utilized, volume will shift to other facilities in the market until all the facilities were well-utilized and a need is generated. Four years of data on utilization of Wake county surgical facilities shows that these assumptions are patently not applicable in this community. Despite a booming population and an overall increase in volumes of surgical cases, utilization of some facilities has decreased while utilization at Rex remains high – in spite of having moved more than four thousand minor cases to more appropriate settings.

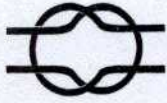
As this data demonstrates, Rex has faced this need for some time but has awaited the outcome of the OR Workgroup. Because the changes recommended by the Workgroup do not adequately address the need faced in Wake County, Rex is compelled to request a special need determination. Surgical volumes continue to increase at a rate faster than the population growth factored into the existing need methodology. If no allocation of operating rooms is made in the 2008 plan, highly-utilized facilities such as Rex will have no opportunities to expand, creating a limit on the opportunity for physicians and patients to access their surgical facility of choice.

As shown in Table 4, below, the State's projected utilization of Rex Hospital operating rooms in 2011 is over 100%. Although further revisions to the OR methodology are expected, and allocation of ORs in Wake County may result from those revisions, Rex is compelled to request this special need determination now. As reflected in the projection methodology, rooms must be allocated in the 2008 plan in order to allow for the time required for a provider to apply, develop, and implement new operating rooms in the market before they are necessary in 2011.

Table 4. 2011 Projected Utilization by Provider

	2010-11 Hours	Hours/ Room	Included Rooms	2011 Utilization
Rex Hospital	63,247	1872	31	109%
WakeMed Raleigh	50,814		25	
WakeMed Cary	16,709		9	
Wake Med Apex	0		4	
WakeMed Subtotal	67,522	1872	38	94.9%
Duke Health Raleigh	22,189	1872	13	91.2%
HealthSouth Blue Ridge	8,704	1872	6	77.5%
Raleigh Women's Health	5,338	1872	2	143%
Raleigh Plastics	639	1872	1	34.1%
Southern Eye	839	1872	2	22.4%

We would also like to take this opportunity to thank the SHCC members for their hard work each year to develop the State Medical Facilities Plan; and to thank the staff of the planning, licensure, and certificate-of-need sections for their assistance throughout the year. We appreciate your time and attention today, and for your consideration of this special need determination for four operating rooms in Wake County.



RALEIGH SURGICAL GROUP, INC.

DFS Health Planning
RECEIVED

AUG 24 2007

Medical Facilities
Planning Section

August 20, 2007

WOODWARD CANNON, MD, FACS
GEORGE W. PASCHAL, III, MD, FACS
THOMAS W. MADDOX, MD, FACS
RICHARD A. CHIULLI, MD, FACS
DANIEL R. VIG, MD, FACS
SETH M. WEINREB, MD, FACS
DAVID B. EDDLEMAN, MD
DAVID A. SMITH, MD

Victoria McLanahan, Analyst
NC Division of Health Service Regulation
Medical Facilities Planning
2709 Mail Service Center
Raleigh, NC 27699-2709

Dear Ms. McLanahan:

I am a general surgeon practicing at Rex Hospital for the past sixteen years, and I have seen both the hospital and the county grow. I have observed Rex struggle over the years to accommodate the growing number of surgical cases done in the hospital. The shortage of operating room availability is well known to all of us that work there.

As we peer into the future with the growing population of Wake County, and the addition of surgical staff monthly to Rex Hospital, the availability of operating room space at Rex Hospital can only deteriorate. Shortages of operating room space is not only deleterious for Wake County citizens that use Rex Hospital, but it is also detrimental to the professional staff and support staff that work at Rex. Please consider this in the request of Rex Hospital for additional operating room capacity, and allow them to plan satisfactorily for the future. Thanks for your consideration.

Sincerely,

Richard A. Chiulli, M.D.

RAC/dhb

Cc: Rebekah Swain, Rex Health